



Cobb County

Finance Department



FY 2011 Budget Update

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Moody's Article – 3-17-11

Moody's Investors Service kept a negative outlook on U.S. state and local government bonds for a third year, projecting fiscal strains in 2011 to be the worst since the past recession.

This “will be the toughest year yet for local governments,” Moody's said today in a report. Overall, it will “be difficult and messy, but manageable,” the company said.

By William Selby – Bloomberg News (3/17/11)



Prior Fiscal Years - Actions Taken

- **Hiring Freezes – First Implemented FY 2007**
- **Privatization of Solid Waste - \$5 million annual savings to General Fund – Sept 2009**
- **Retirement Program - \$6 million annual savings (phase 1)**
- **Prior BOC Actions**
 - Dec. 2009 – FY09 Budget reduced by \$19.6m
 - March 2010 – FY09 Budget reduced by \$5.4m
 - Jan. 2010 – FY10 Budget reduced by \$8.0m



Prior Fiscal Years - Actions Taken

| Filled Positions | FY 09 | FY 10 | FY 11 |
|----------------------|-------|-------|-------|
| County-Wide | 4,410 | 4,251 | 4,239 |
| Increase/ (Decrease) | - | (159) | (12) |
| Cumulative | - | (159) | (171) |



FY 2011 Budgets

| Function | FY 2011 Budget | % of Total |
|-------------------|----------------|------------|
| Public Safety | 253,064,211 | 63% |
| Non-Public Safety | 150,480,679 | 37% |
| Total | 403,544,890 | |

Operating Budgets Included:

| | |
|--------------|-------------|
| General Fund | 328,009,136 |
| Fire Fund | 65,611,370 |
| E911 | 9,924,384 |
| Total | 403,544,890 |

Public Safety includes: Police, Fire, E911, Sheriff, EMA, 800 MHz, and Courts



FY 2011 – Reasons for Shortfall

❖ Recurring Revenue Decreases

- Property Tax Digest
- Permitting\Real Estate
- Misc Other Revenue Decreases

❖ Challenges of New Facilities

- 2005 SPLOST - Detention Facility (Utilities & Maintenance)
- 2005 SPLOST - Superior Court (Utilities & Maintenance)
- Powder Springs Station

❖ Land Purchases – Debt Service on \$40 million Parks Bond

❖ Increases to Recurring Expenditures

- Health Care
- Pension
- Operating (Fuel, Utilities)



FY 2011 - Where we are now

As the Board of Commissioners consider the anticipated revenue shortfall for the General Fund, Fire District Fund, Debt Service Fund and the urgency to address said shortfall.

Actions for consideration include:

- Cuts in services including the elimination of personnel, and
 - Recurring operating and capital expenditure reductions
 - One time expenditures (capital projects/contingencies)
- Increase in fees for recurring revenues
- An increase in millage rates – property taxes
- Use of Reserves
- Sale of Assets
- Combination of above listed actions



Current Ratings

TAN's Ratings

- ★ Cobb County received the highest score achievable for our General Obligation Tax Anticipation Notes (TAN's)

Agency Ratings

- ★ Moody's MIGI (waiting to confirm G.O. rating)
 - ★ Fitch F1 + (confirmed G.O. rating)
 - ★ S&P SP-1+ (waiting to confirm G.O. rating)
-
- ★ **Fitch Ratings-New York-14 March 2011** - Fitch notes that the county's comparatively low millage rate offers a degree of flexibility, and the county's management team has demonstrated a proactive willingness to respond accordingly and preserve its strong financial profile. **Nevertheless, Fitch remains concerned regarding the ongoing budgetary pressures and declining reserves and will continue to monitor the county's financial performance.**



Residential Digest Decline

| | | | | |
|--------------------------------|--------------------|----------|-----------|-----------|
| Average Decline in Home Value | | | | |
| 2007 to 2010 | | -10.74% | | |
| | | | | |
| Home Fair Market Value 2007 | | 200,000 | 300,000 | 500,000 |
| Home Fair Market Value 2010 | | 178,520 | 267,780 | 446,300 |
| Reduction in Fair Market Value | | 21,480 | 32,220 | 53,700 |
| | | | | |
| Assessed Value of Reduction | | 8,592 | 12,888 | 21,480 |
| | | | | |
| Reduction in Property Tax Bill | | | | |
| | General Fund | \$ 58.60 | \$ 87.90 | \$ 146.49 |
| | Fire District Fund | \$ 22.00 | \$ 32.99 | \$ 54.99 |
| | Debt Service Fund | \$ 1.89 | \$ 2.84 | \$ 4.73 |
| | Total | \$ 82.48 | \$ 123.72 | \$ 206.21 |

General Fund portion of tax bill has floating homestead exemption



FY 2011 Projections

As of February 28, 2011

| | General | Fire District | Debt Service | Total |
|----------------------------|--------------|---------------|--------------|--------------|
| Revenues | 303,099,733 | 58,771,809 | 5,709,274 | 367,580,816 |
| Expenditures | 325,221,452 | 65,362,632 | 8,642,094 | 399,226,178 |
| Revenues less expenditures | (22,121,719) | (6,590,823) | (2,932,820) | (31,645,362) |
| | | | | |
| Current Millage | 6.82 | 2.56 | 0.22 | 9.60 |
| | | | | |
| | 9.0% | 1/20th | 100.0% | Total |
| Current Reserve | 29,102,019 | 3,280,569 | 8,244,274 | 40,626,862 |

Final Tax Digest will not be available until June, 2011



Option 1

- No Millage increase
- Approximately \$31 Million of Amendments Required to FY 2011 Budget

| | General | Fire District | Debt Service | Total | % Inc |
|---------------------------|-----------|---------------|--------------|-----------|--------|
| Current Millage | 6.82 | 2.56 | 0.22 | 9.60 | |
| Millage Increase | 0.00 | 0.00 | 0.00 | 0.00 | |
| Total Millage | 6.82 | 2.56 | 0.22 | 9.60 | 0.00 % |
| Fair Market Value of Home | 200,000 | 200,000 | 200,000 | | |
| Assessment Rate | 40 % | 40 % | 40 % | | |
| Assessed Value | 80,000 | 80,000 | 80,000 | | |
| Homestead Exemption | 10,000 | - | - | | |
| Net Taxable Value | 70,000 | 80,000 | 80,000 | | |
| Taxes at Current Mills | \$ 477.40 | \$ 204.80 | \$ 17.60 | \$ 699.80 | |
| Millage Increase | \$ - | \$ - | \$ - | \$ - | |
| New Tax Bill | \$ 477.40 | \$ 204.80 | \$ 17.60 | \$ 699.80 | 0.00 % |

Includes only BOC Portion of Tax Bill



FY 2011 Projections – Option 1

As of February 28, 2011

| | General | Fire District | Debt Service | Total |
|---|--------------|---------------|--------------|--------------|
| Revenues | 303,099,733 | 58,771,809 | 5,709,274 | 367,580,816 |
| Expenditures | 325,221,452 | 65,362,632 | 8,642,094 | 399,226,178 |
| Revenues less expenditures | (22,121,719) | (6,590,823) | (2,932,820) | (31,645,362) |
| Current Millage | 6.82 | 2.56 | 0.22 | 9.60 |
| General Fund Absorbs Debt Service Fund shortfall with transfer | (2,932,820) | - | 2,932,820 | - |
| Projected Shortfall | (25,054,539) | (6,590,823) | - | (31,645,362) |

Final Tax Digest will not be available until June, 2011



Options Under Consideration for Reducing Expenditures



Cobb County Transit

| | Annual | FY11-5 months |
|-------------------------------|------------|---------------|
| CCT-Subsidy-FY2012 and beyond | 13,000,000 | 4,600,000 |
| Fare Increase- FY2011 | 1,000,000 | 300,000 |

Would have to pay back \$26 million to the Federal Government for grants received



Parks & Recreation

| | Annual | FY11-5 months |
|---------------------------------|------------|---------------|
| Mable House Barnes Amphitheatre | 338,249 | 140,937 |
| Aquatic Centers | 675,904 | 281,627 |
| Tennis Centers | 319,531 | 133,138 |
| Total Parks & Recreation | 15,065,265 | 6,277,194 |



Libraries

| | Annual | FY11-5 months |
|------------------------------------|------------|---------------|
| Central Library (to include Admin) | 2,668,812 | 1,112,005 |
| Technical Services | 2,022,685 | 842,785 |
| Facilities Support | 253,771 | 105,737 |
| South Cobb Regional Library | 604,230 | 251,763 |
| Mountain View Regional Library | 610,913 | 254,547 |
| West Cobb Regional Library | 804,502 | 335,209 |
| East Cobb Library (Parkaire) | 546,746 | 227,810 |
| Non-Regional Libraries (12) | 2,493,847 | 1,039,102 |
| Total Libraries | 10,005,506 | 4,168,960 |



Government Service Centers

| | Annual | FY11-5 months |
|--------------------------------|---------|---------------|
| Two Government Service Centers | 288,144 | 120,060 |



Senior Centers

| | Annual | FY11-5 months |
|-----------------------------|-----------|---------------|
| Windy Hill Senior Center | 221,916 | 120,060 |
| North Cobb Senior Center | 211,089 | 87,954 |
| Freeman Poole Senior Center | 285,415 | 118,923 |
| West Cobb Senior Center | 275,190 | 114,663 |
| East Cobb Senior Center | 292,636 | 121,932 |
| Day Care Center | 160,543 | 66,893 |
| Total Senior Services | 3,906,615 | 1,627,756 |



Non-Profits

| | Annual | FY11 5 months | 10% |
|----------------------------------|-----------|------------------|---------|
| Cobb Collaborative | 1,080,000 | 450,000 | 108,000 |
| Cobb County Board of Health | 1,087,289 | 453,037 | 108,729 |
| Cobb County DFCS | 355,532 | 148,138 | 35,553 |
| Cobb County Community Svcs Board | 489,678 | 204,033 | 48,968 |

FY 2011 Contracts currently in place for annual appropriations
Most savings potentially realized in FY 2012



One-Time Options

| | Annual | FY11-5 months |
|-----------------------------|-----------|---------------|
| Fund 380 Project Close-outs | 6,800,000 | 6,800,000 |
| Vehicle Acquisition | 421,000 | 421,000 |
| Undesignated Contingency | 965,000 | 965,000 |



Furlough Days – General Fund

| | |
|------------------|---------|
| One Furlough Day | 671,871 |
|------------------|---------|

Effect on Employees

40K year employee \$154.00

50K year employee \$192.00



Furlough Days – Fire District Fund

| | |
|------------------|---------|
| One Furlough Day | 157,134 |
|------------------|---------|

Effect on Employees

40K year employee \$154.00

50K year employee \$192.00



General Fund

| Operational Cuts (5 months) | Full Year | FY11-5 months |
|--------------------------------|------------|---------------|
| 5% Operating -Across the Board | 14,783,878 | 6,159,949 |
| 10% Operating-Across the Board | 29,567,756 | 12,319,898 |

| Percentage of workforce reductions | Full Year |
|---|-----------|
| (if 10% reduction across the board) | 8.64% |
| Potential Number of Employees Impacted - Average Salary and Benefits - 70,000 | 271 |



Fire District Fund

| Operational Cuts (5 months) | Full Year | FY11-5 months |
|--------------------------------|-----------|---------------|
| 5% Operating -Across the Board | 3,280,569 | 1,366,904 |
| 10% Operating-Across the Board | 6,561,137 | 2,733,807 |

| Percentage of workforce reductions | Full Year |
|--|-----------|
| (if 10% reduction across the board) | 11.53% |
| Potential Number of Employees Impacted - Average Salary and Benefits - 78,450 | 73 |



Debt Service Fund

| General Obligation Debt | | | |
|-------------------------|------------|------------|------------|
| Fiscal Yr | 1996 | | |
| | Refunded | 2007 | 2008 |
| | Park Bond | Park Bond | Park Bond |
| 2010 | 13,480,000 | 25,000,000 | 15,000,000 |
| 2011 | 11,820,000 | 21,940,000 | 13,310,000 |
| 2012 | 10,070,000 | 18,725,000 | 11,575,000 |
| 2013 | 8,240,000 | 15,345,000 | 9,790,000 |
| 2014 | 6,315,000 | 11,790,000 | 7,960,000 |
| 2015 | 4,300,000 | 8,055,000 | 6,085,000 |
| 2016 | 2,200,000 | 4,130,000 | 4,160,000 |
| 2017 | - | - | 2,185,000 |

\$53,480,000 Outstanding



Use of Reserves

- Use of Reserves to make up the difference
 - Must have short-term intent with BOC action to replenish



Option 2

Millage Increase to Only Fire District and Debt Service Funds

| | General | Fire District | Debt Service | Total | % Inc |
|---------------------------|-----------|---------------|--------------|-----------|-------|
| Current Millage | 6.82 | 2.56 | 0.22 | 9.60 | |
| Millage Increase | 0.00 | 0.50 | 0.13 | 0.63 | |
| Total Millage | 6.82 | 3.06 | 0.35 | 10.23 | 6.56% |
| Fair Market Value of Home | 200,000 | 200,000 | 200,000 | | |
| Assessment Rate | 40 % | 40 % | 40 % | | |
| Assessed Value | 80,000 | 80,000 | 80,000 | | |
| Homesstead Exemption | 10,000 | - | - | | |
| Net Taxable Value | 70,000 | 80,000 | 80,000 | | |
| Taxes at Current Mills | \$ 477.40 | \$ 204.80 | \$ 17.60 | \$ 699.80 | |
| Millage Increase | \$ - | \$ 40.00 | \$ 10.40 | \$ 50.40 | |
| New Tax Bill | \$ 477.40 | \$ 244.80 | \$ 28.00 | \$ 750.20 | 7.20% |

**\$22 Million of Amendments Required to Balance FY 2011 Adopted Budget
Includes only BOC Portion of Tax Bill**



Option 3

Partial General Fund Millage with Full Fire and Debt Service Funds

| | General | Fire District | Debt Service | Total | % Inc |
|----------------------------------|------------------|------------------|-----------------|------------------|----------------|
| Current Millage | 6.82 | 2.56 | 0.22 | 9.60 | |
| Millage Increase | 0.55 | 0.50 | 0.13 | 1.18 | |
| Total Millage | 7.37 | 3.06 | 0.35 | 10.78 | 12.29 % |
| Fair Market Value of Home | 200,000 | 200,000 | 200,000 | | |
| Assessment Rate | 40 % | 40 % | 40 % | | |
| Assessed Value | 80,000 | 80,000 | 80,000 | | |
| Homestead Exemption | 10,000 | - | - | | |
| Net Taxable Value | 70,000 | 80,000 | 80,000 | | |
| Taxes at Current Mills | \$ 477.40 | \$ 204.80 | \$ 17.60 | \$ 699.80 | |
| Millage Increase | \$ 38.50 | \$ 40.00 | \$ 10.40 | \$ 88.90 | |
| New Tax Bill | \$ 515.90 | \$ 244.80 | \$ 28.00 | \$ 788.70 | 12.70 % |

Includes only BOC Portion of Tax Bill

\$9.6 Million of General Fund Amendments Required to Balance FY 2011

Adopted Budget (Fund 380 Projects and Reserves)



Option 4

Full Millage to Address Revenue Shortfall – All 3 Funds

| | General | Fire District | Debt Service | Total | % Inc |
|----------------------------------|------------------|------------------|-----------------|------------------|---------------|
| Current Millage | 6.82 | 2.56 | 0.22 | 9.60 | |
| Millage Increase | 0.90 | 0.50 | 0.13 | 1.53 | |
| Total Millage | 7.72 | 3.06 | 0.35 | 11.13 | 15.94% |
| Fair Market Value of Home | 200,000 | 200,000 | 200,000 | | |
| Assessment Rate | 40 % | 40 % | 40 % | | |
| Assessed Value | 80,000 | 80,000 | 80,000 | | |
| Homestead Exemption | 10,000 | - | - | | |
| Net Taxable Value | 70,000 | 80,000 | 80,000 | | |
| Taxes at Current Mills | \$ 477.40 | \$ 204.80 | \$ 17.60 | \$ 699.80 | |
| Millage Increase | \$ 63.00 | \$ 40.00 | \$ 10.40 | \$ 113.40 | |
| New Tax Bill | \$ 540.40 | \$ 244.80 | \$ 28.00 | \$ 813.20 | 16.20% |

Includes only BOC Portion of Tax Bill



Direction

